

Coalfield Employment
Enhancement Tax Credit



For calendar year 2003. FISCAL YEAR filers: Enter beginning date _____, _____ and ending date _____, _____ and check here. ☐

Name of Company	Virginia Account Number	FEIN or Social Security Number
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The Coalfield Employment Enhancement Tax Credit provides a composite tax credit for coal mined in Virginia and coal bed methane gas produced in Virginia based on a per ton or per million BTU rate and an employment factor. This credit will be earned and reported on the 1996 through 2007 Virginia income tax returns and claimed on the 1999 through 2010 income tax returns based on the credit redemption schedule in the Form 306 instructions; it may not be claimed prior to the 1999 return. If the credit amount exceeds the tax on the income tax return when filed, the excess credit will be applied to any other taxes imposed by the State of Virginia. The Department of Taxation will redeem any remaining credit as follows: ninety percent will be refunded directly and the remaining ten percent will be deposited in a regional economic development fund administered by the Coalfields Economic Development Authority. For credits earned for taxable years beginning on or after January 1, 2002, the refundable excess will be reduced to 85% with the remaining 15% being deposited into the regional economic development fund.

PART I - QUALIFICATIONS. (See instructions.)

- ☐ Coal Credit: Check this box if you meet all qualifications for this credit (See Form 306 instructions, Part I).
- ☐ Coal Bed Methane Credit: Check this box if you meet the qualification for this credit (See Form 306 instructions, Part I).

If you do not qualify directly for this credit, but qualify by receiving a credit distribution from a pass-through entity, go to Line 10.

PART II - TONS OF COAL SOLD (Attach a separate schedule if additional space is needed.)

Complete Part II to show the total tonnage of each type of qualifying coal for the taxable year on which the Coalfield Employment Enhancement Tax Credit is to be computed in Part III. See instructions.

	Col. A Underground Seam 36" or Less	Col. B Underground Seam Over 36"	Col. C Surface Mined
1. Enter the number of tons of qualifying coal sold during the taxable year.	_____	_____	_____
2. Enter from Schedule 306A, the number of tons of qualifying coal sold during the taxable year for which the purchaser is eligible for a Coal Cogenerator credit or the Virginia Coal Employment and Production Incentive tax credit.	_____	_____	_____
3. Subtract Line 2 from Line 1. Enter the result below in the "Number of tons" sold column on:	Part III, Line 1	Part III, Line 2	Part III, Line 3

PART III - CREDIT COMPUTATION

A. COAL CREDIT BASE (see instructions for definitions). Enter the qualifying tonnage on which the coal credit base is computed. If claiming this credit and you also sold qualifying tonnage and issued a certificate to the purchaser, complete Schedule 306A. Do not include amounts from Schedule 306A, Column E, in this section.

	Number of tons sold	Credit earned
1. Underground mining method: Seam thickness 36" or less: Enter amount from Part II, Line 3, Col. A, above	1. _____	X \$2.00 = _____
2. Underground mining method: Seam thickness over 36" Enter amount from Part II, Line 3, Col. B, above	2. _____	X \$1.00 = _____
3. Coal mined using surface mining methods Enter amount from Part II, Line 3, Col. C, above	3. _____	X \$0.40 = _____
4. TOTAL CREDIT BASE (add Lines 1, 2 and 3)	4. _____	

B. EMPLOYMENT FACTOR (see instructions for definitions)

5. Total number of Virginia coal mining jobs for the calendar year ending within the taxable year	5. _____
6. Total number of Virginia coal mining jobs for the preceding calendar year	6. _____
7. EMPLOYMENT FACTOR (divide Line 5 by Line 6) Do not enter more than 100%	7. _____ %

C. CREDIT COMPUTATIONS AND CREDIT DISTRIBUTIONS EARNED FOR 2003 (report for credit on 2006 return)

8. Tentative coal mining credit (multiply Line 4 by the percentage on Line 7)	8. _____
9. Coal bed methane gas producer credit (\$.01 per million BTU of coal bed methane gas sold in Virginia) ...	9. _____
10. Credit distributions from pass-through entities (see instructions)	10. _____
11. 2003 Coalfield Employment Enhancement Tax Credit earned: Enter the total of Lines 8, 9 and 10 here*	11. _____

* Also enter this amount on the Coalfield Enhancement Tax Credit earned line of your tax return or credit schedule.

D. APPLICATION OF 2000 COALFIELD EMPLOYMENT ENHANCEMENT TAX CREDIT EARNED [from 2003 Sch. 306B (Form 306)]

12. Full tax credit: Enter amount from 2003 Schedule 306B (Form 306), Line 9	12. _____
13. Excess tax credit: Enter amount from 2003 Schedule 306B (Form 306), Line 10(b)	13. _____
14. Total 2000 credit allowable this year: Add Lines 12 and 13. Enter here and on the coalfield employment enhancement tax credit line of the credit schedule for your income tax return, Schedule CR or Schedule 500CR.	14. _____

**Instructions for Completing the 2003 Form 306
Coalfield Employment Enhancement Tax Credit**

TAX BULLETIN: See Virginia Tax Bulletin 97-1 for additional information and examples on how this credit applies for current and future taxable years. This tax bulletin is available from the **Virginia Department of Taxation, Forms Request Unit, P. O. Box 1317, Richmond, VA 23218-1317. Telephone: (804) 440-2541.**

PART I - QUALIFICATIONS

Qualifications for the coal credit and coalbed methane credit are listed separately below. If additional guidance is needed to determine if you qualify for either credit, see the box above.

COAL CREDIT QUALIFICATIONS

Check this box on Form 306, Part I, if you meet all coal credit qualifications below.

1. The person (individual, partnership, corporation, estate or trust) earning this credit has an economic ownership interest in the coal mined in Virginia for which the coal credit is claimed. "Economic interest" is defined as the economic ownership interest required by Section 611 of the Internal Revenue Code as of December 31, 1977, in order to claim the depletion deduction. Note that a party who only receives an arm's length royalty is not considered as having an economic interest in coal mined in Virginia. Coal is considered "mined in Virginia" if the portal through which the coal is brought to the surface is located in Virginia. Coal mined by surface methods will be considered "mined in Virginia" if mined from within the boundaries of the permit area defined in *Code of Virginia* Section 45.1-229.
2. The same ton of coal used to compute this credit is not being used to compute any of the following credits: qualifying steam producers tax credit (*Code of Virginia* Section 58.1-439.3), coal employment and production incentive tax credit (*Code of Virginia* Section 58.1-2626.1) or the qualifying cogenerators and small power producers (*Code of Virginia* Section 58.1-433). For purposes of this credit, "ton" means the same as customarily used in transactions between a knowledgeable buyer and seller.
3. The seam thickness of coal mined using underground mining methods (Part III, Section A) is based on the weighted average isopach mapping of actual coal seam thickness by mine as certified by a professional engineer. Isopach maps must have been provided to the Virginia Department of Mines, Minerals and Energy (DMME) within the time frames specified in Virginia Tax Bulletin 97-1. (If claiming this credit for coal mined from a seam 36" thick or less, the DMME must send an acknowledgment that the maps were received. This acknowledgment must be attached to the income tax return of the entity which qualified for this credit.) All information upon which the isopach mapping is based will be available for review by the DMME.
4. The employment factor (Part III, Section B) is the ratio of the number of Virginia coal mining jobs, for the calendar year ending during the taxable year in which the credit is earned, to the number of Virginia coal mining jobs for the prior calendar year. It is computed on the total number of Virginia coal mining jobs and not on a per mine basis. Results are always rounded up. Taxpayers who file consolidated or combined returns will calculate the employment factor and corresponding credit on a separate company basis.

5. A Virginia coal mining job will be considered to be any job required to be reported on the Mine Safety and Health Administration (MSHA) Form 7000-2 pursuant to 30 CFR Part 50 as of January 1, 1995, and for which wages are properly reported on Form VEC-FC-20 pursuant to the Virginia Unemployment Compensation Act (*Code of Virginia* Section 60.1-1 et seq.). The total hours worked at these jobs during each quarter, calculated in accordance with 30 CFR Part 50 and reported on the DMME tonnage report (Form DM-CM-2), will be aggregated for the calendar year. The total hours from all tonnage reports filed by the entity will be divided by 1,920 equivalent hours per job to derive the number of coal mining jobs for the employment factor computation.

Note: A taxpayer with facilities that do not have an assigned Mine Index Number from the DMME, such as stand alone preparation plants, coal handling facilities, shops, or administrative or engineering facilities, and who wishes to file employment data from these facilities for the purpose of calculating the employment factor may file a separate annual tonnage report (Form DM-CM-2) with the DMME, inserting "none" in the space for the mine index number and leaving the tonnage spaces blank. When completing the form, if coal mining jobs are allocated to one or more contractors, attach an explanation to Form DM-CM-2.

6. The person earning this credit may not also claim the coal cogenerator credit or the Virginia Coal Employment and Production Incentive tax credit unless received as a distribution from a different entity.

COAL BED METHANE CREDIT QUALIFICATIONS

Check this box on Form 306, Part I, if you meet the qualification below.

A coal bed methane gas producer is the person who was issued a permit by the Virginia Department of Mines, Minerals and Energy (DMME) to operate a coalbed methane well.

PART II - TONS OF COAL SOLD

Special Instructions for Line 2 (and Schedule 306A)

If coal was sold during the taxable year and a statement was supplied to the purchaser that the coal is Virginia mined coal for purposes of claiming one of the other coal credits, complete Schedule 306A to determine the tonnage amounts to enter on Line 2. Instructions for completing Schedule 306A are on the schedule. The other coal credits, referenced above, are:

- qualifying steam producers tax credit (*Code of Virginia* Section 58.1-439.3);
- coal employment and production incentive tax credit (*Code of Virginia* Section 58.1-2626.1); or the
- qualifying cogenerators and small power producers tax credit (*Code of Virginia* Section 58.1-433).

FORM 306, PART II, LINE BY LINE INSTRUCTIONS

1. Enter the number of tons of qualifying coal sold during the taxable year. Complete Columns A, B and C to report this tonnage by each mining method.
2. Enter the number of tons of qualifying coal sold during the taxable year for which the purchaser is eligible for a coal credit. Complete Columns A, B and C to report this tonnage by each mining method.
3. Subtract Line 2 from Line 1 for each column. The amounts from this line will be entered on Part III, Lines 1, 2 and 3.

PART III - CREDIT COMPUTATION

Sections A, B and C

Complete Part III using the instructions provided for each line, the definitions and guidelines provided in Part I, and Virginia Tax Bulletin 97-1. See the box at the top of the page labeled "TAX BULLETIN", for information on obtaining this document.

Special Instructions

Line 1. Enter the amount from Part II, Line 3, Col. A.

Line 2. Enter the amount from Part II, Line 3, Col. B.

Line 3. Enter the amount from Part II, Line 3, Col. C.

Line 5. The total number of coal mining jobs of the person (entity) filing the return includes the jobs of contract operators as reflected in the annual tonnage reports filed with the DMME for the year the credit is earned. The entity claiming the credit is responsible for obtaining the contractor's annual tonnage reports filed with the DMME.

Line 6. The total number of coal mining jobs is the number reflected in the annual tonnage reports for the year prior to the year that the credit was earned. This amount includes jobs of contract operators.

Line 10. Enter the credit distributed to you from another entity. *This is the current year credit distribution from the pass-through entity.* If claiming credit for more than one entity, attach separate Forms 306 for each entity. Add Line 10 from each additional Form 306 and enter the total on this line.

If a distributive share includes coal tonnage from coal mined using the underground mining method with a seam of 36" or less, a copy of the acknowledgment document from the Department of Mines, Minerals and Energy must be provided to each recipient.

Line 11. *Credit to report on the 2003 return:* Instructions for this line are on Form 306. This credit may be claimed against the income tax in future years based on the credit redemption schedule. Apply the credit as follows:

- Apply the credit to the current year income tax; then
- Offset other state taxes incurred during that taxable year.

Any remaining excess credit for that taxable year will be redeemed at 85% of face value by the Virginia Department of Taxation. The balance of the excess credit will be deposited in a regional economic development fund administered by the Coalfields Economic Development Authority. Since this is a refundable credit, it has no carryforward feature. See Virginia Tax Bulletin 97-1 for additional information. Distributions made to pass-through entities are reported on the current year Form 306 even though the credit may not be claimed until a future year.

Section D

Complete Part III, Section D, using the instructions provided for each line. Instructions for completing Schedule 306B (Form 306) are on a separate page. This schedule must be completed before Section D of Form 306, Part III.

WHAT TO ATTACH

In General

All taxpayers claiming the credit must attach Form 306 and a completed Schedule 306A and 306B, if appropriate. All taxpayers claiming a credit for coal sold that was mined from an underground seam of 36" or less must attach a copy of the statement from the DMME acknowledging that isopach mapping was received.

Corporations, S corporations, partners in partnerships, members in limited liability companies and sole proprietors must also attach a copy of the Form DM-CM-2 filed with the DMME (partners and members will attach a copy of the entity's Form DM-CM-2). If more than one Form DM-CM-2 was filed, a summary schedule may be substituted that identifies the same information as on the DM-CM-2. If the total number of tons reported on all Forms DM-CM-2 does not agree with the total number of tons sold as reported on Line 1 of Part II of Form 306, attach a detailed explanation of the difference.

Fiscal year filers should refer to the back of DM-CM-2 for filing requirements.

Schedule 306B: Attach a copy of the document filed with the applicable state agency showing payment of the tax for which credit is claimed.

Information provided by pass-through entities

Pass-through entities must provide their shareholders, partners or members with a copy of the entity's Form 306 to attach to their returns. In addition, pass-through entities must also provide their shareholders, partners or members a statement to attach to their returns that provides the following information:

- entity earning the credit;
- recipient (name, address, and state and federal identification numbers or social security number); and,
- the recipient's distributive share and amount of credit.

Each partnership or limited liability company distributing this credit must also send a copy of the same partner or member information directly to the Virginia Department of Taxation, ATTN: Coalfield Employment Enhancement Tax Credit Distribution, P. O. Box 5126, Richmond, Virginia 23220-0126 within 60 days of making the distribution.

WHERE TO GET HELP

For additional information, write the Virginia Department of Taxation, P. O. Box 5126, Richmond, VA 23220-0126 or call (804) 367-8037. Tenemos servicios disponible en Español. To order forms, call (804) 440-2541. If you have access to the internet, you can obtain most Virginia income tax forms and additional tax information by connecting to our web page, www.tax.state.va.us. Forms are also available from the office of your local Commissioner of the Revenue, Director of Finance or Director of Tax Administration.

CREDIT REDEMPTION SCHEDULE

Taxable Year Earned	First Taxable Year to Claim	Allowable Credit to Claim	Taxable Year to Claim Balance	Balance of Credit to Claim
1996	1999	50%	2005	50%
1997	2000	50%	2006	50%
1998	2001	75%	2007	25%
1999	2002	75%	2008	25%
2000	2003	100%		
2001	2004	100%		
2002	2005	100%		
2003	2006	100%		
2004	2007	100%		
2005	2008	100%		
2006	2009	100%		
2007	2010	100%		

**2003 - SCHEDULE 306A Coal Sold For Coal Credit To
(Form 306) Qualified Purchasers**

VA Department of Taxation
Page ____ of ____



Name of Company as it Appears on Form 306	Virginia Account Number	FEIN or SSN
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The Coalfield Employment Enhancement Tax Credit is based in part on the number of tons of coal sold during the taxable year which were mined in Virginia. Any person who grants a certificate to a purchaser certifying that coal purchased was Virginia-mined for purposes of claiming one of the other coal related credits (qualifying steam producers tax credit, coal employment and production incentive tax credit, and the cogenerators and small power producers tax credit) and also claims the Coalfield Employment Enhancement Tax Credit must complete this schedule. Use the instructions below to complete columns A through F. Attach a separate schedule if more space is needed.

Column A: Date of coal sale and certification

Column B: Invoice number for the sale

Column C: Name of the purchasing firm

Columns D - F: Mining method used to extract the coal sold: Underground: seam thickness 36" or less, Underground: seam over 36", or surface mining. If a sale involved more than one mining method, use a separate line for each method. If you are unable to identify the mining method because the coal was commingled, allocate the tonnage to each mining method and attach a statement explaining the allocation method. Number of tons sold to the firm in Column C for which the certificate of qualification was issued. If more than one mining type is shown, specify tons mined by mining type.

Total Rows: After entering all sales, add the total tonnage amount for each mining type and enter the totals on the TOTAL rows at the bottom of the page. Transfer the totals to Form 306, Part II, Line 2, as directed for each row.

	Column A Date Coal Was Sold	Column B Invoice Number	Column C Name of Firm Purchasing Coal	Column D Number of Tons Sold Mined from Underground Seams 36" or Less	Column E Number of Tons Sold Mined from Underground Seams Over 36"	Column F Number of Tons Sold Using Surface Mining Method
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total tons from Column D: Seam 36" or less. Enter here and on Form 306, Part II, Line 2, Col. A						
Total tons from Column E: Seam over 36". Enter here and on Form 306, Part II, Line 2, Col. B						
Total tons from Column F: Surface mining method. Enter here and on Form 306, Part II, Line 2, Col. C						

2003 - SCHEDULE 306B Schedule of Tax Credit Application
(FORM 306) for the Coalfield Employment
VA Department of Taxation Enhancement Tax Credit



If additional space is needed, use an additional Schedule or page.

Name of Company as it Appears on Form 306	Virginia Account Number	FEIN or SSN
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The Coalfield Employment Enhancement Tax Credit allows 100% refunds for previously paid taxes imposed by the Commonwealth of Virginia which were incurred during the taxable year, up to the face value of the Coalfield Employment Enhancement Tax Credit. If any credit remains, it will be refunded at 90% of its face value. The 10% balance of the credit will be deposited into a regional fund administered by the Coalfields Economic Development Authority. Schedule 306B (Form 306) is used to list each state tax which the Coalfield Employment Enhancement Tax Credit will offset. The Coalfield Employment Enhancement Tax Credit earned and reported on the 2000 Form 306 will be allowable as a credit on the 2003 income tax return. You must have earned and reported the credit on your 2000 income tax return in order to claim the credit on your 2003 return. See the instructions before completing this schedule. Required Attachments: Attach a copy of the document showing payment of each tax amount claimed in Column E below.

Part I - Maximum Credit

1 100% of the Coalfield Employment Enhancement Tax Credit from your 2000 Form 306, Line 11. 1

Part II - Credit Designation

Complete Lines 2 through 8 below using the instructions shown on back. The total on Line 8 may not be larger than Line 1 above. Do not include local taxes, taxes incurred by your customers, prior year taxes, addition to tax, penalty or interest paid, if any. Complete Lines 9 through 10 (b) using the instructions below to compute the amount of this credit to be refunded.

	Column A Type Of State Tax Paid For Taxable Year 2003	Column B State Agency Administering Tax	Column C Name of Taxpayer Earning 2000 Credit And Taxpayer Identification Number Under Which 2003 Payment(s) Made	Column D Date(s) Paid And Tax Period	Column E Tax Paid In Current Taxable Year
2					
3					
4					
5					
6					
7	Enter the total of all additional pages here (If additional space is needed, add pages as needed.) ... 7				
8	Add Lines 2 - 7 above and enter here 8				
9	Full refund				
	(a) If Line 1 is larger than the amount on Line 8, enter the amount from Line 8 here and on Form 306, Line 12, then skip to Line 10(a) 9a				
	(b) If Line 8 is larger than the amount on Line 1, enter amount from Line 1 here and on Form 306, Line 12. Next, enter 0 on Lines 10(a) and 10(b). 9b				
10	Excess credit (90% refund)				
	(a) Line 1 less Line 9(a) 10a				
	(b) Multiply the amount on Line 10(a) by 90% (.90) here and on Form 306, Line 13 10b				
	(c) Multiply the amount on Line 10(a) by 10% (.10) 10c				

Read the instructions before completing Schedule 306B

Instructions for Completing the 2003 Schedule 306B (Form 306)

Schedule of Tax Credit Application for the Coalfield Employment Enhancement Tax Credit

GENERAL INFORMATION

The Coalfield Employment Enhancement Tax Credit is **claimed** based on a redemption schedule. If the total credit is larger than the sum of all state taxes paid during the taxable year, 90% of the excess credit will be **redeemed by the Department of Taxation** to you as a refund on your income tax return. The remaining 10% of the credit will be deposited in a regional economic development fund administered by the Coalfields Economic Development Authority. For credits earned for taxable years beginning on or after January 1, 2002, the refundable excess will be reduced to 85% with the remaining 15% being deposited into a regional economic development fund. The credit will be administered and redeemed only by the Virginia Department of Taxation, regardless of which Virginia agency received the tax payments. Note that this credit applies only to state taxes paid in the current taxable year; it does not apply to prior year or future year taxes, the addition to tax, penalty or interest, local taxes or license. After filing your Virginia income tax return, if you discover that you overpaid or underpaid a tax on which this credit was computed (Lines 2 through 7), you must file an amended income tax return with the Virginia Department of Taxation to reflect the change. See the instructions for Form 306 for details on required attachments.

In instances where a combined or consolidated Virginia Corporate income tax is filed which includes corporations which were not eligible to claim the credit, special rules apply. In such cases, the credit as calculated above is utilized to offset the combined or consolidated Virginia corporate income tax liability. Any remaining credit, however, can only be used to offset other state taxes incurred by the corporations in the consolidated or combined group which actually earned the credit or meet the criteria of the 80% test described in Public Document 00-186.

INSTRUCTIONS FOR COMPLETING SCHEDULE 306B (FORM 306)

PART I - ALLOWABLE PORTION OF 2000 COALFIELD EMPLOYMENT ENHANCEMENT TAX CREDIT

Line 1: Enter 100% of the 2000 Coalfield Employment Enhancement Tax Credit earned and reported on your 2000 Form 306.

PART II - CREDIT DESIGNATION - Important: Read these instructions before completing Part II.

Lines 2 - 8: Complete Lines 2 through 7, listing each **qualifying** current year state tax paid to the Virginia Department of Taxation or any other **state** agency during the taxable year, up to the amount shown on Line 1, then enter the total of Lines 2 through 7 on Line 8. The total on Line 8 may not be more than the amount on Line 1. Taxes paid to federal or local government agencies do not qualify.

Qualifying state taxes are those incurred and paid by you. Examples of qualifying taxes paid to the Virginia Department of Taxation are corporation income tax, tire tax and sales tax (to the extent that the sales tax was paid for nonexempt purchases for use by you). Taxes which are merely collected, held in trust and then remitted to the Department of Taxation do not qualify for this credit. Examples of non-qualifying taxes include employer income tax withholding and sales tax paid by your customers. In addition, this credit may not include any addition to tax (computed on Form 760C or Form 500C), penalty, interest or prior year taxes.

The credit must first be applied against the income tax shown on this income tax return and then against all other taxes imposed by the Commonwealth of Virginia incurred and paid by you during the taxable year.

When completing Line 2, enter the tax shown on your income tax return, less any other tax credits claimed which have a higher priority. (As a general rule, credits are claimed in the order in which they provide the best tax advantage. For example, credits without carryover provisions are generally claimed before credits with carryover provisions.)

Column A: Enter the name of the state tax for which credit is claimed for tax paid. For example, "corporation income tax".

Column B: Enter the name of the state agency to which the tax in Column A was paid.

Column C: Enter the taxpayer name and account number under which the tax was paid. For example, if the tax was paid to the Virginia Department of Taxation, enter your name and account number used when making the payment. If credit is claimed for a pass-through distribution from a partnership, limited liability company or subchapter S corporation, enter the name and account number shown on the statement from that entity.

Column D: Enter the date that the payment was made and the taxable period for which the payment was applied. For example, if claiming credit for a payment on April 15, 2003 of use tax for the period January through March, enter "1st quarter use tax paid April 15, 2003". If additional space is required, use an additional page.

Column E: Enter the amount of tax that was reported in Column D.

Lines 9 through 10(b): Use the instructions on Schedule 306B to complete Lines 9 and 10, then transfer the amounts to the front of Form 306 as directed.